

Message Text

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12

ACTION XMB-07

INFO OCT-01 EA-11 ADP-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-09 NSAE-00 RSC-01 TRSE-00 OPIC-12 CIEP-02

OMB-01 INRE-00 RSR-01 /078 W
----- 108298

P R 210720 Z MAR 73

FM AMCONSUL SYDNEY

TO SECSTATE WASHDC PRIORITY 4244

INFO AMEMBASSY CANBERRA

AMCONSUL MELBOURNE

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PASS EXIMBANK EXECUTIVE VP BOSTWICK FROM
COMMERCIAL COUNSELOR WILSON

E. O. 11652: DECLASSIFY DEC. 31, 1975

TAGS: ECON, AS

SUBJ: AUSTRALIAN CONTROLS ON OVERSEAS BORROWINGS

REF: (A) SYDNEY A-14, JAN. 22, 1973

(B) AUSTRALIA/ SARAJI COAL MINE DEVELOPMENT-
LOAN REQUEST CONTROL NO. 3500064.

1. INFORMATION RECEIVED FROM R. D. EABRY, A
DIRECTOR OF UTAH DEVELOPMENT COMPANY (UDC)
RE REFERENCED LOAN APPLICATION CONTAINS FOLLOWING
LOCAL EXCHANGE OF TELEX COMMUNICATIONS BETWEEN
EABRY AND L. K. WILSON, MANAGER - EXCHANGE CONTROL,
RESERVE BANK OF AUSTRALIA, SYDNEY:

2. EABRY TO L. K. WILSON MARCH 5:

" UTAH DEVELOPMENT COMPANY (" UDC") HAS RECEIVED
OFFER FROM EXPORT- IMPORT BANK OF U. S., WASHINGTON,
D. C. OF DOLS US6.5 MILLION PROPOSED LOAN TO PARTLY
FINANCE PURCHASE OF DRAGLINES AND OTHER EQUIPMENT
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FOR NEW SARAJI MINE.

" INTEREST ON EXIMBANK LOANS IS FREE FROM AUSTRALIAN WITHHOLDING TAX UNDER SPECIAL ARRANGEMENTS MADE BETWEEN GOVERNMENTS OF U. S. AND AUSTRALIA RESPECTIVELY.

" EXIMBANK HAS BEEN INFORMED THAT THEIR PROPOSED LOAN TO UDC IS NOT REQUIRED TO BE MATCHED BY A 25 PERCENT NON- ASSIGNABLE INTEREST FREE DEPOSIT WHICH, FROM DECEMBER 23, 1972, WAS INSTITUTED IN RESPECT LONGER THAN TWO YEAR BORROWINGS.

" ARE YOU ABLE TO CONFIRM THIS TO BE THE POSITION WITH RESPECT PROPOSED EXIMBANK LOAN?"

3. LKW TO EABRY MARCH 7:

" REFERRING YOUR TELEX OF YESTERDAY LOANS FROM EXIM BANK OF U. S. ARE ONLY EXEMPT FROM THE TWO YEAR RESTRICTION AND THE 25 PERCENT DEPOSIT REQUIREMENT IF BANK IS SATISFIED THAT TERMS OF THE LOANS CAN BE EQUATED TO TRADE CREDIT TERMS CUSTOMARILY EXTENDED IN INTERNATIONAL TRADE FOR THE TYPE OF EQUIPMENT CONCERNED. WHILE SOME EXIM BANK LOANS WOULD READILY QUALIFY FOR EXEMPTION FROM THE BORROWING RESTRICTIONS ON THESE GROUNDS OUR UNDERSTANDING IS THAT LOANS TO FINANCE IMPORT OF EQUIPMENT FOR LARGE NATURAL RESOURCES DEVELOPMENT PROJECTS ARE FREQUENTLY GRANTED FOR LONGER TERMS THAT WOULD NORMALLY BE AVAILABLE FROM SUPPLIERS.

" ACCORDINGLY WE WOULD NEED TO BE SUPPLIED WITH DETAILS OF THE PROPOSED EXIM BANK LOAN TERMS BEFORE WE COULD INDICATE THAT THE BORROWING WOULD BE EXEMPT FROM THE RESTRICTIONS."

4. AM SEEING EABRY IN MELBOURNE MARCH 22 TO CLARIFY STATUS OF NEGOTIATION. THIS MEANWHILE FYI.

5. COMMENT: WE ARE CONCERNED THAT THE POSITION OUTLINED AT LOWER LEVEL IN RESERVE BANK (PARA 3 ABOVE), MAY UNDERCUT UNDERSTANDING REPORTED REF A AND RECONFIRMED TO CHAIRMAN KEARNS ACROSS THE LIMITED OFFICIAL USE

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TABLE BY RESERVE BANK GOVERNOR PHILLIPS FEBRUARY

28 TH. EABRY'S FIRING IN TO LKW AND QUOTING EXIM
BANK OUT OF CONTEXT AND WITHOUT CITING EXACT
PURPOSES OF PROPOSED LOAN APPEARS ILL ADVISED.
PENDING CLARIFICATION, YOU MAY WISH SUGGEST
THAT EXIMBANK PROJECT OFFICERS CAUTION PROSPECTIVE
BORROWERS IN AUSTRALIA, PARTICULARLY IN POLITICALLY
SENSITIVE MINING PROJECTS, TO TOUCH BASE WITH THIS
OFFICE AT MACONGEN SYDNEY OR WITH EMBASSY CANBERRA
BEFORE A DIRECT APPROACH IS MADE TO RESERVE BANK.

6. WILL REPORT DEVELOPMENTS.
WILSON

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*** Current Handling Restrictions *** n/a

*** Current Classification *** LIMITED OFFICIAL USE

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